

Consolidated management report for the financial year ended 31 December 2022

EVOLUTION OF BUSINESS AND GROUP'S SITUATION

NH Hotel Group is an international hotel operator and one of the leading urban hotel companies worldwide in terms of number of rooms. The Group operates 350 hotels and 54,820 rooms in 30 countries, and has a significant presence in Europe.

The centralised business model allows it to offer a consistent level of service to its customers in different hotels in different regions. The corporate headquarters and regional offices offer hotels a wide range of functions such as sales, revenue management, reservations, marketing, human resources, financial management and systems development.

This flexible operational and financial structure has enabled the Group to overcome the huge challenges of previous years due to the low level of demand. In the medium term, the Group will continue to benefit from brand recognition, its excellent locations and strong market positioning in Europe. It should be pointed out that in 2022, according to the Brand Finance Hospitality study, we were recognised as the highest value Spanish brand, the fourth in Europe and 15th worldwide.

The recovery that began in 2021 after the economic crisis caused by the Covid-19 pandemic was consolidated during 2022. Therefore, the world economy grew by +3.4%, compared to +6.2% growth in the previous year (1).

The worldwide fight against inflation, the Russian war in Ukraine and the resurgence of Covid-19 in China slowed down worldwide economic activity in 2022 and the first two factors will continue to do so in 2023.

In spite of these negative factors, GDP growth can be classified as solid which is explained by several factors: higher consumption and private investment than that forecast in a context of a shortage of workforce and higher fiscal support than expected. Households spent more to meet pent-up demand, above all on services, partly resorting to their savings as the economies began to reopen. Business investment increased to meet the demand. On the offer side, pressures on prices gave way as the bottlenecks eased and transport costs decreased. The energy markets have adapted more quickly than forecast to the shock of the Russian invasion of Ukraine.

The four countries that bring the greatest proportion of the Group's sales and profits show rates of growth in 2022: Spain (+5.2% in 2022 vs. +5.5% in 2021), the Netherlands (+4.5% in 2022 vs. +4.9% in 2021), Germany (+1.9% in 2022 vs. +2.6% in 2021), and Italy (+3.9% in 2022 vs. +6.7% in 2021). On the other hand, growth in Latin America is expected to be +3.9% in 2022 vs. +7.0% in 2021.

The central banks' interest rate rises to combat inflation and the Russian war in Ukraine continue to hobble economic activity. The rapid spread of Covid-19 in China slowed growth in 2022, but, with the recent reopening, a faster recovery is expected. It is forecast that worldwide inflation will decrease from 8.8% in 2022 to 6.6% in 2023 and to 4.3% in 2024. These levels are still higher than those seen prior to the pandemic (2017-2019) of around 3.5%.

Therefore, the estimate is for +2.9% growth of world economic activity in 2023 (+3.4% in 2022 vs. +6.2% in 2021). Therefore, in the Euro zone +0.7% growth is estimated in 2023 (+3.5% in 2022 vs. +5.3% in 2021).

According to UNWTO data, more than 900 million tourists travelled internationally in 2022, double the figures for 2021, although this figure is still only 63% of the levels before the pandemic. All the regions in the world recorded notable increases in the figures for international tourists. The Middle East enjoyed the greatest relative increase, with arrivals reaching 83% of the pre-pandemic figures. Europe reached almost 80% of the pre-pandemic levels, with 585 million arrivals in 2022. Africa and the Americas recovered around 65% of the visitors pre-pandemic, while the Asia and Pacific region only recovered 23% as stricter measures were still in place in relation to the pandemic which have only started to be lifted in the last few months.

The increase in income from international tourism recorded in the majority of destinations has been notable and, in several cases, has exceeded the increase in arrivals. The increase in average spending per trip has contributed to this due to longer stays, travellers wishing to spend more at their destinations and the increase in travel costs due to inflation. Nevertheless, the economic situation may mean that tourists adopt a more cautious attitude in 2023, with lower spending, shorter trips and to places that are closer to home.

[1] Data and estimates from the IMF "World Economic Outlook" January 2023.

It is worth noting the Group's solid position with which to deal with the current situation after its operational and financial transformation in previous years. The excellent performance of the group in the years prior to the pandemic is the result of a complete transformation, particularly brand segmentation, portfolio optimisation, significant investment in repositioning and systems, the focus on efficiency and cost control, and the reduction of financial indebtedness.

In the first stage of this transformation, which began in 2014, the strategic plan focussed on brand segmentation, portfolio optimisation, heavy investment in repositioning and systems and an updated pricing policy. This led NH Hotel Group to a second phase, which began in 2017, based on the Company's strengths and boosting the key drivers in creating value in the business.

This Plan prioritised boosting the Company's income, increasing its efficiency and, at the same time, taking advantage of its strengths for new repositioning opportunities and organic expansion as an additional path to growth.

With the entrance of Minor International into the share capital at the end of 2018, a new era of opportunity opened up with the creation of a global hotel platform operating on five continents. In this way, a new stage began where additional opportunities arose, such as:

- The possibility of increasing the current customer base, attracting the growing Asian demand to the European markets.
- Economies of scale with business partners, travel agencies and suppliers.
- The ability to use a larger brand umbrella in new geographical areas, that is to say, take the NH brands into Minor geographical areas and vice versa.
- Access the luxury segment with new opportunities for brand change and opening and signing up new hotels in the segment.
- Boost the segment diversification strategy, integrating the resorts market into our cornerstones for growth.
- Integrate Tivoli operations in Europe under NH management.
- Contact the best teams, driving an exchange of talent.

Continuous improvement to the customer experience was boosted in 2019 with the launch of various initiatives: "Fastpass", a combination of three innovative services - Check-in Online, Choose Your Room and Check-out Online - which gives customers full control over their stay. Also a new service, "City Connection", where you can enjoy the city without limits. Under the slogan "Stay in one hotel, enjoy them all", the NH Hotel Group offered a range of services that allow customers to enjoy them in any hotel in the city they are in, regardless of the hotel they are staying in for the duration of their stay.

The lifting of mobility restrictions since the middle of 2021 was the key factor to the recovery of the hotel sector. The increase in the costs of supplies and operational costs, amongst which staff costs, energy costs and all costs linked to the CPI stand out, is playing an important role in the profitability of hotel businesses which is partly offset by the strategy to maximise prices.

Size continued to be an important factor as the economies of scale enable greater efficiency in operational management. The fragmentation of the hotel sector in Europe continues to be high and, therefore, opportunities will arise so that the concentration of the sector accelerates towards more efficient, sustainable business and management models with greater economies of scale.

Minor Hotels and NH Hotel Group have integrated their brands under a single corporate umbrella present in more than 50 countries around the world. In this way, a portfolio of more than 500 hotels under eight brands is organised: Anantara, Avani, Elewana, Oaks, NH Hotels, NH Collection, nhov y Tivoli, which completes a wide and diverse spectrum of hotel proposals connected to the needs and desires of global travellers. Both groups currently share their knowledge base and experience in the sector in order to materialise short-term opportunities, taking advantage of the complementarity of their hotel portfolios to define a global sales strategy, the implementation of economies of scale with a broader customer base, explore development pathways for all their brands in different geographical areas and access to shared talent.

During 2022, the NH Rewards loyalty programme became known as NH Discovery after the migration to the Global Hotel Alliance programme that Minor International is a part of. This enables us to take part in, and benefit from, a loyalty programme with more than 20 million members and more than 800 multi-brand hotels in more than 100 countries. The NH hotels and members are complementary to GHA's, which entails a huge advantage when it comes to gaining visibility on the main source markets and the various business segments.

In 2021, and in order to adapt to the new trends in business travellers, the Group launched a series of initiatives enabling:

- Extended Stay, with up to 35% discount on stays of more than 7 days for working away from home for an extended period.
- Smart Spaces, a new B2B offer, with exclusive spaces for working and organising small business meetings making the most of all the advantages of our hotels.

- Hybrid Meetings, to boost the value of events reaching a bigger audience from various destinations with a combination of in-person and virtual attendance.
- NH+, a new focus on the corporate segment towards SMEs, which were the first to resume business and have enabled us to extend this segment of corporate customers.

Digitisation has been and will be key to the sector's evolution. The customer experience is improved and efficiency increased using technology and digitisation. The digital component is key in responding to travellers' security needs and experience. Technology is a facilitator that complements our employees' work, freeing them up from administrative tasks so they can give more personal attention to customers.

It is worth highlighting that the NH Hotel Group continues to be at the forefront of innovation. The Group's Digital Transformation has allowed processes and systems to be made more efficient, increasing the capacity to be different from the competition, and continue improving the Company's basic processes. One of the greatest achievements was, therefore, centralising all its properties and functions into a single integrated system. This allows the NH Hotel Group to have a fully-integrated digital platform: NH Digital Core Platform. A pioneering technological solution in the sector that has allowed all the Group's hotel's systems to be integrated which has become the basis for the NH Hotel Group to expand its customer knowledge, maximise its efficiency and innovate on a large scale in all its value areas.

From the start of recovery after the pandemic, hotel businesses are experiencing difficulties finding staff, which suggests that the sector must go back to attracting talent with attractive professional career plans that boost training and job flexibility.

In its use of quality indicators, the NH Hotel Group focuses on measuring quality using new sources of information and surveys with a significant increase in the volume of reviews and number of assessments received. Its average score on TripAdvisor in 2022 was 8.4, the same as in December 2021. Additionally, its average Google Reviews score was 8.7, compared with 8.7 in December 2021. These average scores demonstrate the high levels of quality perceived by customers and the positive growth trend that the NH Hotel Group has had throughout the year.

On the other hand, in 2022, the Group started operating 8 new hotels in Milan, Andorra, Santiago del Estero, Frankfurt, Iquique, Cali and Nice with 1,125 rooms. The Group, therefore, reached a total of 350 hotels with 54,820 rooms at 31 December 2022.

The Group also signed-up 8 new hotels with 1,336 bedrooms in 2022. These sign-ups are under management and rental formulas in Andorra, Vila Viçosa, Berne, Tenerife, Alvor, Coimbra, Porto and Lisbon. The sign-ups are under the NH, NH Collection, Tivoli and Anantara brands.

Revenues in 2022 totalled 1,722.4 million euros, an increase of 131% (+975.9 million euros). The Profit for the year attributable to the Parent Company Shareholders was 100.3 million euros compared with (133.7) million euros in 2021. This increase is explained by the increase in activity after the impact of Covid-19 during 2021.

In this year gross borrowing decreased from 813.0 million euros in December 2021 to 610.7 million euros in December 2022. At 31 December 2022, cash and cash equivalents amounted to 301.8 million euros (243.9 million euros at 31 December 2021). Furthermore, this liquidity is complemented by the syndicated credit line for 242.0 million euros (fully available at the close of the 2022 and 2021 financial years) and some credit lines at the close of the 2022 financial year of 25.0 million euros (fully available at the close of the 2022 and 2021 financial years).

As a result of the business' strong recovery in the first part of the 2022 financial year, and the improvement to the financial position, NH Hotel Group's credit rating has been favourably revised by the Rating Agencies. At 12 May 2022, Fitch improved the corporate rating from "B-" to "B" with a stable outlook. In addition, on 7 July 2022, Moody's change NH Hotel Group's corporate rating outlook from negative to stable, confirming a "B3" rating. It should be noted that both agencies have stated that NH is managing the recovery with satisfactory financial flexibility and deleveraging capacity, with a significant portfolio of owned assets.

As a result of the public offering on 31 October 2018, along with the capital increase in September 2021, Minor currently owns 410,183,997 shares in NH Hotel Group, S.A. representing 94.13% of its share capital.

2022: Year of recovery

In 2022, the recovery that began in the second half of 2021 after the mobility restrictions were lifted has consolidated and accelerated. This recovery was partially interrupted by the appearance of the Omicron variant in the first months of the year. After Omicron, business recovery was faster than with the previous variants and this is explained by the reactivation of business customers which was added to strong demand from leisure customers.

The outbreak of the war in Ukraine has not affected our income and intra-European business as we do not have hotel exposure in the region or Russian customers.

The recovery, which has been much faster than expected since March, with excellent performance in business as well as the prices in all geographical areas, has meant that, since the second quarter of the year, NH has exceeded all the financial metrics in the 2019 statement of profit and loss.

The Group made the most of the speedy reactivation of leisure and business travellers, where the weight of domestic demand is a competitive advantage, implementing a solid pricing strategy and maintaining strict control over costs. This partially offset the growing pressure on costs, which are greatest for energy and outsourced services such as the cleaning and laundry services.

ETHICS

Compliance System

Since 2014, NH Hotel Group has deployed a Compliance unit whose scope includes the following key areas, amongst others:

- Code of Conduct.
- Criminal Risk Prevention Plan.
- Internal Rules of Conduct.
- Procedure for Conflicts of Interest.

NH Hotel Group currently continues to implement and reinforce measures to promote and place value on the culture of compliance and the importance of consolidating an ethical business culture, promoting awareness amongst all the employees about the relevance, not just of complying with the applicable regulations, but also of acting ethically and in accordance with the Company's principles and values.

Code of Conduct

The impetus to compliance carried out by NH Hotel Group is based on the principles and values in its Code of Conduct, which is translated into ten languages, seven of which are published on the corporate web site and intranet, and is applied in all the countries where NH Hotel Group does business. Also, since 2017, NH employees can use the "My NH" app to access the Code of Conduct from their mobile devices. The staff at centres operating under NH Hotel Group brands also have a handbook and an FAQs document.

The aim of the Code of Conduct is to determine the principles, values and rules governing the behaviour and actions of every one of the Group's professionals and directors, as well as the members of the management bodies of the companies making it up and the interest groups that interact with NH Hotel Group, such as customers, suppliers, competitors and shareholders, as well as the communities where NH runs its hotels.

In line with its ethical commitment and the best practices of corporate governance, NH Hotel Group has carried out communication, awareness and training campaigns on Compliance since 2015. The Group's Board of Directors is responsible for approving the Code of Conduct.

The Code of Conduct summarises the professional behaviour expected of employees, senior management and Board Members of the NH Hotel Group and its group of companies, who commit to acting with integrity, honesty, respect and professionalism in the performance of their work.

The NH Group is committed to compliance with the laws and regulations of the countries and jurisdictions where it operates. This includes, amongst other things, laws and regulations on health and safety, discrimination, taxation, data privacy, human rights, competition, prevention of corruption and money laundering, and commitment to the environment.

The Code of Conduct is periodically reviewed by the Compliance Office in order to adapt and update its content in the event this is necessary. The Company's Board of Directors approved an update to the Code of Conduct at their meeting on 8 November 2022, in order to adapt the Code to the recent legislative developments, observe the new legal requirements and follow the standards and best practices referring to compliance, with the anonymisation of the Whistleblower Channel being a highlight. The head of Internal Audit manages the Confidential Channel for Complaints. The procedure for managing complaints received via the complaints channel are specified in detail in the Code of Conduct. This procedure guarantees confidentiality and respect in every phase, and protects against retaliation.

In 2022 there were 40 reports of alleged breaches of the Code of Conduct received, all of which were investigated, with appropriate disciplinary measures being taken in the 38 cases received.

Compliance Committee

NH Hotel Group set up the Compliance Committee in 2014, and it is made up of certain members of the Management Committee who have appropriate knowledge about NH Hotel Group's activities and, at the same time, have the authority, autonomy and independence needed to ensure the credibility and binding nature of the decisions made. This body is empowered to supervise compliance in key areas of the Compliance System: the Group's Internal Rules of Conduct, Procedure for Conflicts of Interest, Code of Conduct and Criminal Risk Prevention Plan, among others.

The Compliance Committee supervises the work done by the Compliance Office and monitors all the internal processes and policies in place at the Company, their observance and compliance. It also has the power to impose disciplinary measures on employees in matters within its scope.

The Company has decided to roll out its crime prevention model to other countries (Germany, Holland, Belgium, United Kingdom, Colombia, Mexico and Argentina), having constituted local Compliance Committees in the business units covering the aforementioned countries. Furthermore, in 2022 NH Hotel Group has begun to implement its own compliance programme in Portugal.

In the course of 2022, there were three meetings of the Compliance Committee (in April, July and October).

Compliance Office

The Compliance Office, led by the Compliance manager, reports directly to the Chief Legal & Compliance Officer at NH Hotel Group and to the Compliance Committee. It is in charge of disseminating and supervising compliance with the Code of Conduct, regular monitoring and supervising of the Criminal Risk Prevention Plan, creating and updating corporate policies and monitoring compliance with them, and managing queries about the Code of Conduct, amongst other duties.

Anti-Corruption and Fraud Policy

NH Hotel Group has an anti-corruption and fraud policy which was initially approved by the Board of Directors in January 2018 and amended in May 2019. The general principles of the Anti-Corruption and Fraud Policy are:

- Zero tolerance of bribery and corruption in the private and public sectors
- Behaviour must be appropriate and legal
- Transparency, integrity and accuracy in financial information
- Regular internal control
- Local legislation shall take precedence if stricter

Anti-money laundering policy

NH's Code of Conduct reflects a commitment to respect the applicable regulations on anti-money laundering policy, with special attention to diligence and care in the processes of evaluating and selecting suppliers, and in payments and collections in cash. Therefore, the Compliance Committee meeting of 19 December 2018 approved a policy that reinforces NH Hotel Group's commitment to anti-money laundering and combating the financing of terrorism, with the aim of detecting and preventing NH Hotel Group, S.A. and its Group companies from being used in money laundering or terrorist financing operations. The Policy was approved by the Board on 13 May 2019 and was updated during 2022 in order to adjust the new limit thresholds for payments in cash and the including of a business identification form.

The aforementioned Policies have been duly communicated to all Group employees and the corresponding online training has been made available to ensure their disclosure and understanding.

RISK MANAGEMENT

Risk management governance

The Company's Board of Directors is responsible for overseeing the risk management system, in line with the provisions of Article 5 of the Regulation of the Board of Directors. As regulated by Section 3 of article 25 b) of the Regulation of the Company's Board of Directors, the Audit and Control Committee supports the Board of Directors in supervising the effectiveness of the internal control, internal audit and the risk management systems, including tax risks. In this sense, during 2022, a control and monitoring process of the Company's main risks has been carried out.

On the other hand, amongst other functions, the Company's Management Committee manages and controls risks based on risk tolerance, assigns ownership of the main risks, periodically monitors their evolution, identifies mitigation actions as well as defining response plans. For these purposes, the Executive Risk Committee, made up from members of the Management Committee and Senior Executives, supports the Management Committee in such oversight, as well as promoting a culture of risks in the Company. For this, the Company has an internal risk management manual that details the principles, processes and controls in place.

Risk Management, integrated into the Internal Audit department, is responsible for ensuring the risk management and control system in the Company functions properly and is linked to the strategic objectives. To ensure that there are no conflicts of independence and that the NH risk management and control system works as set out in the Corporate Risk Management Policy, an independent third party periodically reviews its operation. Due to the exceptional situation caused by

Covid-19, the review has not been carried out since 2019, but it is planned to resume the external review at the end of 2023, or at the beginning of 2024.

As an additional guarantee of independence, Risk Management is independent of the business units and, as with Internal Audit, it maintains a functional reporting line to the Audit and Control Committee.

In line with the above, NH follows the Three Lines model published in July 2020 by the Global IIA:

- First line: carried out by each function (business and corporate units) that owns the risk and its management (Operations, Commercial, Marketing, etc.).
- Second line: performed by the functions responsible for risk supervision (Risk Management, Compliance, Data Protection, Internal Control, etc.)
- Third line: carried out by Internal Audit that affords independent assurance.

The NH Hotel Group's Corporate Risk Management Policy (approved by the Board of Directors in 2015), as well as the internal manual that implements it, aim to define the basic principles and the general framework of action to identify and control all types of risks that may affect the companies over which the NH Hotel Group has effective control, as well as ensuring alignment with the Company's strategy.

Risk management model

NH Hotel Group's risk management system, rolled out at Group level, aims to identify events that may negatively affect achievement of the objectives of the Company's Strategic Plan, providing the maximum level of assurance to shareholders and stakeholders and protecting the Group's revenue and reputation.

The risk management model is based on the integrated COSO IV ERM (Enterprise Risk Management) framework, and includes a set of methodologies, procedures and support tools that allow the NH Hotel Group:

1. To adopt adequate governance in relation to the Company's risk management, as well as promoting an appropriate risk management culture.
2. To ensure that the Company's defined objectives are aligned with its strategy and risk profile.
3. To identify, evaluate and prioritise the most significant risks that could affect achievement of strategic objectives To identify measures to mitigate these risks, as well as establish action plans based on the Company's tolerance to risk.
4. To follow-up on the action plans established for the main risks, within a continuous improvement model framework.

The Group's Risk Map is updated annually and approved by the Board of Directors once reviewed and validated by the Audit and Control Committee. In 2022, the Company updated its risk catalogue (80 risks) and its Risk Map, which was approved by the Board of Directors at their meeting on 26 July 2022.

Each of the main risks on the Company's Risk Map is assigned a Risk Owner who, in turn, is a member of the Management Committee. Each risk owner is responsible for mitigation measures, either existing or in progress, for their risks and the implementation status of action plans. The Risk Owners periodically submit the status of the main risks they are responsible for and the mitigating controls and actions plans for the future to the Audit and Control Committee (for example, Cyberrisk was submitted on 8 November 2022).

Each year, coinciding with the update of the Risk Map, Risk Management is responsible for reassessing the risk catalogue, both financial and non-financial. The final catalogue is validated with the Senior Executives who take part in the process, as well as with the bodies involved in its validation (Management Committee, Executive Risk Committee and Audit and Control Committee) and approval (Board of Directors). Additionally, Risk Owners can report/suggest a new risk to the Risk Office during the year.

In general, the risks to which the Group is exposed can be classified into the following categories.

- a. Financial Risks: events that affect financial variables (interest rates, exchange rates, inflation, liquidity, debt, credit, etc.).
- b. Compliance Risks: arising from possible regulatory changes as well as non-compliance with internal and external regulations.
- c. Business Risks: generated by inadequate management of procedures and resources, whether human, material or technological.
- d. Risks from External Factors: arising from natural disasters, pandemics, political instability or terrorist attacks.

- e. Systems Risks: events that could affect the integrity, availability or reliability of operational and financial information (including cyber).
- f. Strategic Risks: produced by difficulty accessing markets and difficulties in asset disinvestment.

Apart from this classification, the Company has identified emerging risks and ESG risks that it particularly monitors (described in the annual non-financial information report). At the start of 2022, NH Hotel Group strengthened its analysis of risks associated with Human Rights, the Environment and Fraud by the Sustainable Business and Risks Departments.

SUSTAINABLE BUSINESS STRATEGY

NH Hotel Group runs its hotel business with the ambition of leading responsible behaviour, generating a positive social and environmental impact where it is present, conveying its human rights, ethical and corporate commitments in its way of working along its entire value chain: shareholders, customers, partners, suppliers and employees, while promoting responsible alliances with two pillars: UP FOR PLANET and UP FOR PEOPLE.

A noteworthy milestone was setting up the Sustainability Executive Committee in May 2022, whose main function is to support the Board of Directors in its work providing monitoring of NH Hotel Group's sustainability strategy. The committee is co-chaired by the Chief Assets & Development Officer and the Chief People and Sustainable Business Officer and all functions with a direct impact on implementing the strategy are represented.

Convinced it is moving in the right direction to achieve the next sustainability challenges, the Company is aligned with the Sustainable Development Goals (SDGs) to which it can contribute and undertakes to continue creating long-term and global value within the framework of the 2030 Agenda.

Information relating to performance of the Sustainable Business Strategy is published in the 2022 Non-Financial Information Statement, which is presented as a separate report and forms a part of this Consolidated Management Report.

UP FOR PLANET

"A pillar supporting us to minimise environmental impact, from the design, construction, operations and refurbishment of our hotels. Focussing on reducing, reusing and recycling natural resources, such as water and energy, greenhouse gases, waste and replacing existing materials with alternatives that are more environmentally friendly, sustainable and innovative".

The Company is aware of the effects of its activity on the environment and works to prevent and anticipate possible environmental contingencies, as well as to integrate sustainability into all its processes. It is constantly working on reducing their impact.

The Company's environmental strategy is channelled through UP FOR Planet, where a route map is defined to comply with the commitments acquired for fighting climate change and advancing towards decarbonisation

• SUSTAINABLE PRODUCTS AND ASSETS

At NH Hotel Group, the fight against climate change is a fundamental strategic value and this is why the NH Hotel Group continues working on its commitment to reduce its carbon emissions by 20% throughout its value chain by 2030, a target which is validated by the SBTi initiative. Setting this target marks NH Hotel Group's route map towards significant reduction of its activity's carbon footprint in the next few years, with the commitment to achieving status as a decarbonised company in 2050.

NH Hotel Group hotels operates with the ISO 14001 environmental management system and the ISO 50001 energy efficiency system, certified for accommodation, catering, meetings and events services. In 2022 NH Hotel Group had individual certification for 50% of the hotels in the portfolio. In addition, 336 of the Company's hotels have gained the Booking environmental award, 308 have the HRS Greenstay and 50 have the GHS Green Collection. It is worth pointing out that the whole portfolio has gained Bioscore classification, which is an independent assessment of a hotel for its level of sustainability via a classification based on ESG (environmental, social and corporate governance criteria), aligning the more relevant parameters of the internationally recognised eco-labelling principles to offer a global, standardised view of the efforts made by the hotels with regard to sustainability.

The reduction in emissions during the year was 20% of the emissions ratio per occupancy compared to 2021.

• OPERATIONAL PROCESSES AND STANDARDS

A strategic pillar focussing on efficient management and responsible consumption of resources, prioritising the "4R" rule. Reduce, Reuse, Recycle and Replace while offsetting waste emissions and encouraging the evolution towards the circular economy and development of more sustainable products, but also the involvement of employees, suppliers, partners and customers as key players to achieve them.

It is worth highlighting that during the year the ratio of energy consumption per occupancy and the ratio of water use per occupancy decreased by 35% and 25%, respectively, when compared to the previous year.

• SUSTAINABLE PURCHASING

With this pillar, NH Hotel Group strengthens its sustainable value chain, prioritising key alliances, increasing consumption from local producers and responsible organisations. NH Hotel Group's relationship with its suppliers is based on communication and transparency to promote the development of innovative, sustainable solutions.

During 2022 a total of 88 suppliers worldwide adhered to NH Hotel Group's and Coperama's Code of Conduct. Therefore, in 2022, the number of active suppliers who have signed up to the code reached a total of 1,760.

These lines of action and commitments allow the NH Hotel Group to position itself as a sustainable and environmentally friendly Company, thereby increasing the value of its brands.

UP FOR PEOPLE

"With initiatives and projects promoting our employees' professional development, while at the same time creating a positive impact on the communities we are present in, to offer our customers the best experience, involving them in our commitments to sustainability"

• EMPLOYEES

The Company considers its employees to be its main asset and understands that, to build a leading corporate culture, it is essential to manage attracting and developing talent, and sustain their motivation and pride in belonging to the NH Hotel Group.

The key projects were consolidated this year, completing implementation of the People pillar Strategic Plan and laying the foundations to launch the strategic initiatives which are grouped into 4 main pillars:

- In-house commitment.
- Talent management.
- Recruitment strategy.
- Employer brand.

It is noteworthy that, in 2022, the Company resumed highly important processes within the People strategy, such as the climate survey, talent calibrations, recognition, training and in-house development programmes, amongst others. These are all adapted to the Company's new reality. With all this, NH Hotel Group has continued to look after its teams and has given them tools to manage the uncertainty of past years, focussing on identifying, developing and retaining talent.

The number of FTEs employed by the Parent Company and consolidated companies during 2022 was 10,995 employees, located in 29 countries, where 51% are women and 49% are men.

NH Hotel Group's commitment to stable employment is shown by the high percentage of employees with permanent contracts. So, in 2022, an average of 84% of the women's contracts are permanent and an average of 83% of employees between 25 and 40 years old have permanent contracts. Furthermore, 6,491 new staff were recruited, of which 63% are employees under 35 years old and 53% are women.

NH Hotel Group uses its Code of Conduct to formalise its commitment to promoting non-discrimination due to the race, colour, nationality, social origin, age, gender, civil status, sexual orientation, ideology, political opinions, religion or any other personal, physical or social condition of its professionals, along with equal opportunities for all of them. The policies and actions for recruiting, employing, training and internal promotion of employees are based on criteria of ability, skills and professional merit.

In addition, the Company will continue to strengthen its commitment to its employees, creating optimal working environments to maximise its employees' contribution.

• CUSTOMERS

In its commitment to sustainability, NH Hotel Group seeks to integrate customers and make them participants in its sustainable initiatives, whether by creating opportunities for social contribution or promoting responsible environmental behaviour.

The Company works on initiatives that improve quality and customers' experiences, while at the same time minimising the environmental impact of our hotels, such as, for example:

- FASTPASS, incorporating new technologies that enable services like biometrics and facial recognition.

- Tablets in reception, offering the best services to customers, enabling check in and check out using a tablet connected to a PMS.
- Chromecast: enables the customer to send content from their mobile, tablet or PC to the room's television.
- Mobile Guest Service: digitises information services and functions of the stay at the hotel.
- Sustainable product: alternative sustainable ideas for all the elements defined in our hotels' standards.

• COMMUNITIES

NH Hotel Group seeks to create positive social and environmental impact in the communities we have a presence in via responsible alliances:

- Hotels with a Heart: free-of-charge accommodation programme for needy families with sick children.
- Together with Love: the Company's corporate volunteering worldwide.
- Youth employability, for young people at risk of exclusion.

With these projects, NH Hotel Group has benefited more than 60,700 people.

Sustainability recognitions

For the third time, NH Hotel Group has been included in the "Sustainability Yearbook 2022" published by S&P Global. For the fourth time, the Company voluntarily took part in the Corporate Sustainability Assessment (CAS) carried out by the sustainable investment agency S&P Global as was recognised as TOPI0%.

A demonstration of its commitment to gender equality, NH Hotel Group, for the fourth year running, was included on the Bloomberg GEI 2022 index, being the only Spanish hotelier in the 484 companies listed in the index. This reference index measures gender equality using five pillars: leadership and talent development, equality and parity of remuneration, inclusive culture, policies against sexual harassment and the brand image.

The NH Hotel Group has also reported its commitment to and strategy against climate change to CDP Climate Change since 2010 and received a B in its annual ranking. With this rating, the NH Hotel Group once again recognises its vision of placing sustainability as a strategic value of the corporation, which has acted as a lever of transversal value for the Group for over a decade.

Since 2013, the NH Hotel Group has been listed on the FTSE4GOOD index and renews its presence year after year thanks to the responsible management of the business and the improvements implemented.

SHARES AND SHAREHOLDERS

NH Hotel Group, S.A. share capital at the end of 2022 comprised 435,745,670 fully subscribed and paid up bearer shares with a par value of 2 euros each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

According to the latest notifications received by the Company and the notices given to the National Securities Market Commission before the end of every financial year, the most significant shareholdings at 31 December 2022 and 2021 were as follows:

	2022	2021
Minor International Public Company Limited ("MINT")	94,13%	94,13%

The aforementioned (indirect) shareholding of MINT in NH Hotel Group, S.A. is the result of the IPO made by MHG Continental Holding (Singapore) Pte Ltd. on 11 June 2018 for 100% of the shares that were part of the share capital of NH Hotel Group, S.A., the result of which was that MINT acquired, through its wholly owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd., shares representing 94.13% of the share capital of NH Hotel Group, S.A.

The average share price of NH Hotel Group, S.A. in 2022 was 3.25 euros per share (3.61 euros in 2021). The lowest share price of 2.27 euros per share (2.82 euros in December 2021) was recorded in October and the highest share price of 4.03 euros per share in June (4.35 euros in February 2021). The market capitalisation of the Group at the close of 2022 stood at 1,294.16 million euros.

At 31 December 2022, the Group had 92,915 own shares (all referring to the liquidity contract), compared to 96,246 own shares at 31 December 2021. The reduction in treasury shares in the period is wholly explained by the liquidity contract operation.

Liquidity contract for treasury shares management

On 10 April 2019, the NH Board of Directors entered into a liquidity contract to manage its treasury shares with Banco Santander, S.A. The Contract became effective on 11 April 2019.

This contract is in accordance with the liquidity contract model in Circular 1/2017 of 26 April from the National Securities Market Commission on liquidity contracts for the purpose of its acceptance as a market practice.

The total number of shares allocated to the securities account associated with the Liquidity Contract at 31 December 2022 is 92,915 shares and the amount allocated to the cash account is 329,492 euros.

The Liquidity Contract was agreed upon by the Board of Directors at the proposal of the Proprietary Directors on behalf of the shareholder Minor as a measure to encourage and favour the liquidity of the Company's shares taking the current market conditions into account.

Average period for payment

Below is the information required by Additional Provision Three of Law 15/2010 of 5 July and modified by the Resolution of 29 January 2016, of the Institute of Accounting and Auditing, and Law 18/2022, of 28 September, on the creation and growth of businesses, on the information to be incorporated in the record of annual financial statements relating to the average period for payment to suppliers in commercial transactions of Spanish companies.

	2022	2021
	Days	
Average period for payment to suppliers	79	96
Ratio of paid transactions	80	97
Ratio of transactions pending payment	63	80
	Amount (thousands of euros)	
Total payments made	315,527	271,179
Total payments pending	23,404	20,018

The above information on payments to suppliers of Spanish companies refer to those which by their nature are trade creditors due to debts with suppliers of goods and services. The table includes, therefore, the "Commercial Creditors and Other Accounts Payable" item in current liabilities of the consolidated statement of financial position.

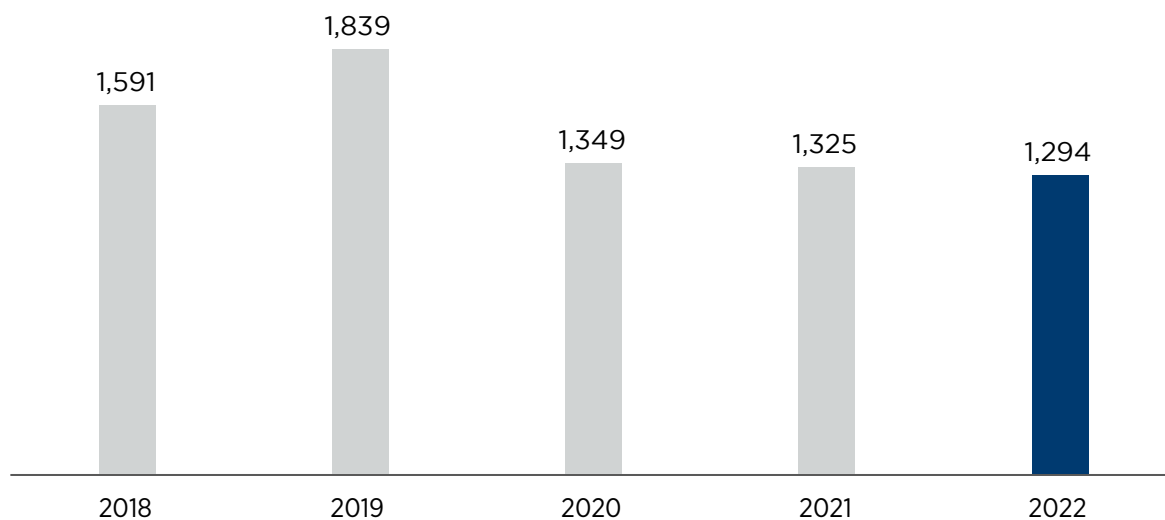
During 2022 the monetary volume of the invoices paid in less time than the maximum provided for in the bad debt regulations was 139,876 thousand euros, representing 44% of the total monetary volume of the invoices, the number of invoices paid in less time than the maximum provided for in the bad debt regulations was 66 thousand euros, representing 41% of the total volume of invoices;

The average period for payment to suppliers has been calculated using the weighted average of the two ratios explained below:

- Ratio of paid transactions: average payment period of transactions paid in each year weighted by the amount of each transaction.
- Ratio of transactions pending payment: average period between the invoice date and the end of the year weighted by the amount of each transaction.

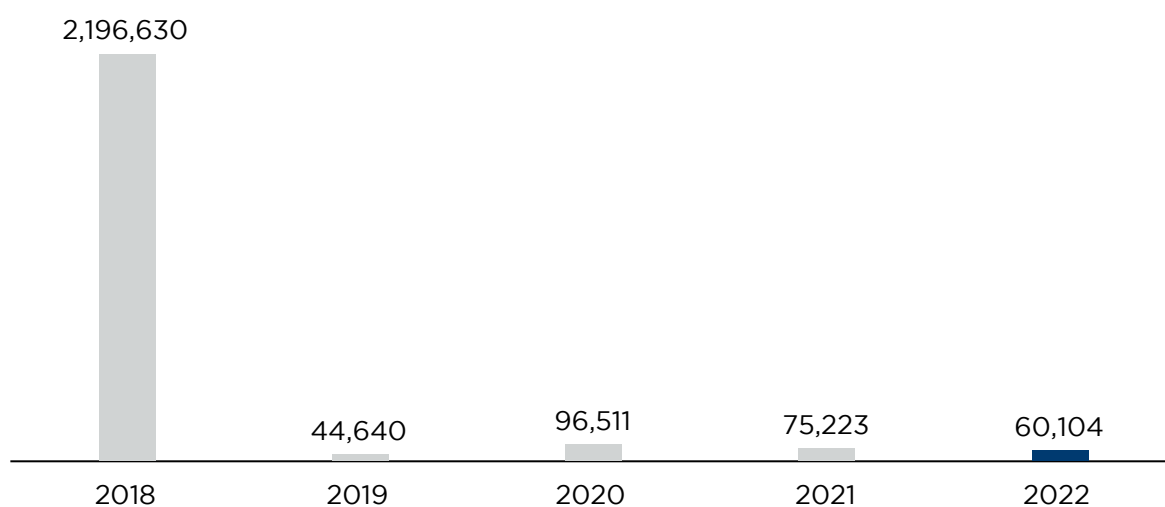
Due to the impact of the Covid-19 pandemic on the demand for hotels, the Company has exceeded the maximum period for payment to trade suppliers legally set at 60 days. This situation is considered to be remediable as various measures are being taken to temporarily resizing resources existing until now, and renegotiating lease agreements and other actions of different types aimed at minimising the impact of the Covid-19 pandemic, which, together with progressive recovery in demand and the business, will enable the legally established ratio to be recovered.

Capitalization (at the end of each year in millions of euros)



During 2022, 15,446,871 shares in NH Hotel Group, S.A. were traded on the Continuous Market (19,257,219 shares in 2021) with average daily share trading on the Continuous Market of 60,104 shares (75,223 shares in 2021).

Average daily trading (in titles)



EVOLUTION NH HOTEL GROUP vs. IBEX 35

1 JANUARY 2017-31 DECEMBER 2022



FUTURE OUTLOOK

There are indications that the tightening of monetary policy is starting to cool off demand and inflation, but the full impact will probably not materialise before 2024.

It is anticipated that world growth, which was estimated at 3.4% in 2022, will fall to 2.9% in 2023 and later bounce back to 3.1% in 2024. It is not forecast that world GDP or world GDP per capital will have negative growth, which is something that usually happens when a world recession occurs. Nevertheless, for 2023 and 2024, it is anticipated that world growth will be lower than the historic annual average (2000-2019) of 3.8%.

The prognosis for low growth in 2023 is due to the central banks' interest rate rises to combat inflation - particularly in advanced economies - and the war in Ukraine. The lower growth in 2023 when compared to 2022 is in line with the advanced economies. In emerging and developing market economies it is estimated the growth hit rock bottom in 2022. It is forecast that growth will reactivate in China due to it fully reopening in 2023. The forecast bounce back of both economic groups in 2024 reflects the gradual recovery from the effects of the war in Ukraine and inflation being restrained.

According to the UNWTO's prognosis for 2023, international tourist arrivals this year may be between 80% and 95% of pre-pandemic levels, depending on the extent to which economic slowdown occurs, how travel to Asia and the Pacific recovers and how the Russian offensive in Ukraine evolves, amongst others.

The UNWTO forecasts that recover will continue during 2023, although the sector is facing economic, health and geopolitical challenges. The recent lifting of travel restrictions caused by Covid-19 in China, the largest source market in the world in 2019, is a significant step for recovery of the tourist sector in Asia and the Pacific and worldwide. In the short term, resumption of travel from China could benefit the Asiatic destinations in particular. Nevertheless, the situation will change depending on the availability and cost of travel, regulations on visas and Covid-19 restrictions at destinations. By the middle of January, a total of 32 countries had imposed specific travel restrictions on travellers coming from China, particularly in Asia and Europe.

At the same time, strong demand from the USA, supported by the strong dollar, will continue to benefit destinations within it and other regions. Europe will continue to maintain abundant flows of travellers coming from the USA, mainly due to the weak euro against the dollar.

The last UNWTO confidence index shows a cautious optimism for January-April that is higher than for the same period in 2022. The optimism is backed up by Asia opening and the strong 2022 figures for expenditure in the traditional and emerging source markets, with good results being seen in France, Germany and Italy, as well as Qatar, India and Saudi Arabia.

Non-financial Information Statement

The 2022 consolidated Non-Financial Information Statement, issued by the Board of Directors on 22 February 2023, contains all the non-financial information required by Law 11/2018 of 28 December 2018. This document is presented as a separate report, is part of this Consolidated Management Report and is available on the corporate website of the NH Group (<https://>

www.nh-hoteles.com/corporate/), within the section on Annual reports included in financial information in the shareholders and investors section and as an annex to this document.

Annual Corporate governance report

The Annual Corporate Governance report, which is a part of this consolidated management report, was prepared according to the provisions of article 49.4 of the Commercial Code. In addition, the report will be available from publication of these accounts on NH Group's corporate web site (<https://www.nh-hoteles.com/corporate/>) and on the CNMV web site (www.cnmv.es).

Annual directors' remuneration report

The annual directors' remuneration report for 2022, prepared by the Board of Directors on 22 February 2023, is presented as a separate report, forms a part of this Consolidated Management Report and is available as an annex to this document, as provided for in article 538 of Royal Legislative Decree 1/2010, of 2 July..

EVENTS AFTER THE REPORTING PERIOD

In January 2023, the Parent Company requested voluntary, early repayment of the Syndicated ICO backed loan maturing in 2026 amounting to 50,000 thousand euros. With this last voluntary repayment, the loan was fully repaid.

As indicated in Note 22, on 4 January 2023 the Tax act with agreement signed with the Dutch tax authority was paid, in accordance with the indications in that Note.